1990 Annual Report

SGIIII

General Insurance Operations

91-04323/

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On the cover:
Adjuster Pat Yaehne, Market Research Manager Brian Forster, and insurance agents Mark Glabus, Rick Putz and Doug Mortin: part of the team of skilled insurance professionals who deliver SGI's products and services to Saskatchewan people.

Letter of transmittal

Regina, Saskatchewan
April, 1991

To Her Honour,
The Honourable Sylvia Fedoruk,
Lieutenant-Governor of the Province of Saskatchewan

Madam:

I have the honour to submit herewith the annual report of Saskatchewan Government Insurance for the year ended December 31, 1990, including the financial statements in the form required by the Treasury Board and in accordance with the Saskatchewan Government Insurance Act.

I have the honour to be, Madam,

Your obedient Servant,

Grant Schmidt
Minister Responsible for
Saskatchewan Government Insurance

Chairman's letter

On behalf of the Board of Directors, I'm pleased to present SGI's 1990 annual report which reflects another successful year for SGI. The results achieved attest to the skill, dedication and teamwork of all the people working in the corporation and the agencies representing SGI throughout the province.

As a result of successful and profitable operations, the Board of Directors declared a $32.7 million dividend to the Crown Investments Corporation of Saskatchewan, the largest dividend in the history of the corporation.

1990 presented many challenges to SGI but the solid performance, dedication and ability of senior management make the future look promising for the company. We can look forward with optimism to a continued successful operation.

Allan W. Wagar
Chairman of the Board

Board of directors

Mr. Allan W. Wagar
Chairman
Regina

Honourable Grant Schmidt
Minister Responsible for SGI
Vice-Chairman

Mr. Arden E.B. Erman
Saskatoon

Mr. Eli L. Fluter
Regina

Mrs. Bonnie L. George
Wadena

Mr. James N. Goring
Biggar

Mr. Ted Henson
Saskatoon

Mr. Ron W. Jeffery
Weyburn

Mrs. Marjorie Jermyn
Regina

Mr. Donald R. Leier
Saskatoon

Mr. D.A.K. MacLean, Q.C.
Regina

Mr. George F. Shaw
Esterhazy

Mr. Ed Sulewski
Paddockwood

President's letter

The insurance business has changed considerably since 1944, when SGI began selling insurance in Saskatchewan. But one thing hasn't changed: the need to provide outstanding customer service and top-of-the-line products.

At SGI, we're committed to meeting that need, and it's given us a strong focus amidst changing times. For several years, we've operated in a shrinking marketplace with increased competition from other insurers. Despite these obstacles, we marked our fifth straight year of profitable operations in 1990 by recording an $11.6 million profit. That's a performance to be proud of in a tough market, and it's a fine example of the results you can achieve with a sound business strategy delivered by a dedicated and professional group of staff and agents.

At SGI, our success isn't measured only in dollar figures, but in how well we achieve our goal of service excellence. In 1990, our Claims surveys showed that we reached an all-time high in customer satisfaction levels: more than 88 per cent of our claimants surveyed were pleased with the settlement and service they received. It's results like these that keep our customers coming back to SGI year after year.

I'm very pleased to report that SGI's policy count stabilized in 1990, due primarily to the withdrawal of one of our competitors from Saskatchewan. While this is certainly good news in the short term, it doesn't resolve our concern over the long-term stability of our operation. In 1990, I announced our intent to create a new Saskatchewan-based general insurance company, SGI CANADA, which would be licenced to operate in other provinces. Through this new company, we would be able to expand our general business outside Saskatchewan. This would allow the corporation to spread its risk and create new jobs here in our province.

Although expansion is a necessary goal for our general business, we can't forget that Saskatchewan is the cornerstone of our operation. The SGI tradition had its beginnings right here in this province, with our Saskatchewan customers and agents. The hallmark of that tradition—our commitment to our customers—is the key to our future success.

Alex Wilde
President

Vice presidents

Bob Warren
Vice President
Motor Vehicle
Division

Doug Kopp
Vice President
Underwriting

Grant Gibson
Vice President
Systems

Larry Fogg
Vice President
Finance and
Administration

Alan Cockman
Vice President
Claims

Assistant vice presidents

Fred Urschel
Underwriting Operations

Bob Strang
Commercial Lines

Jon Schubert
Personal Lines

Jim Roberts
Agency Relations

Arun Patel
Human Resources

Chet Niemczyk
Claims

Ron McGrath
Systems

Jim Martyn
Corporate Relations

Gerry Marsden
Reinsurance

Ron Love
Corporate Services

Ken Lerner
Litigation and Legal Affairs

Paul Landry
Traffic Safety Services

Dave Hick
Motor Vehicle Division

Randy Heise
Finance

George Germaine
Claims

Andy Forgie
Systems

Jack Davidson
Salvage Operations

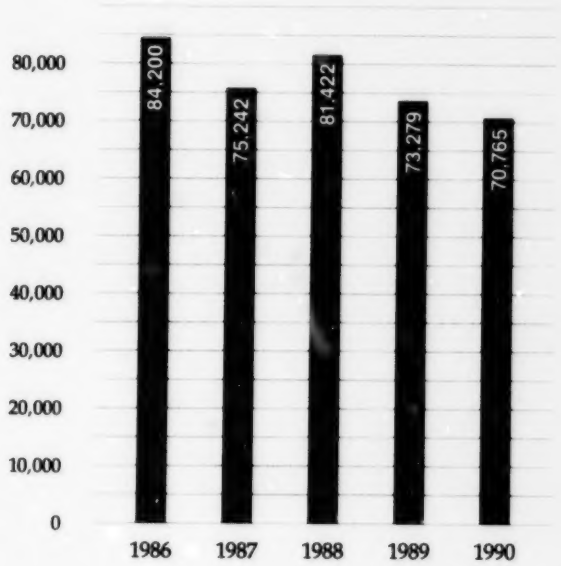
1990 in review

1990 marks SGI's fifth straight year of profitable operations. After two years of record profits—$19.8 million in 1988 and $22.7 million in 1989—SGI ended 1990 with an $11.6 million profit. The decline is due mainly to several large liability claims and intense competition from other insurers.

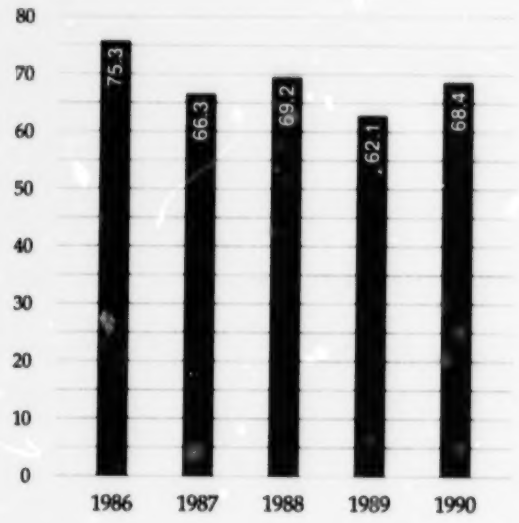
For the first time in 12 years, policy counts stabilized in most lines of business, largely because of the withdrawal of one of SGI's competitors from Saskatchewan.

In 1990, premiums written dropped slightly to $111.7 million from $112.3 million in 1989. The number of claims fell to 70,765 in 1990, down from 1989's total of 73,279. Although SGI attended fewer claims, the cost of these claims rose approximately $6 million due to inflation in labor and material prices, and to an above-average number of very large losses.

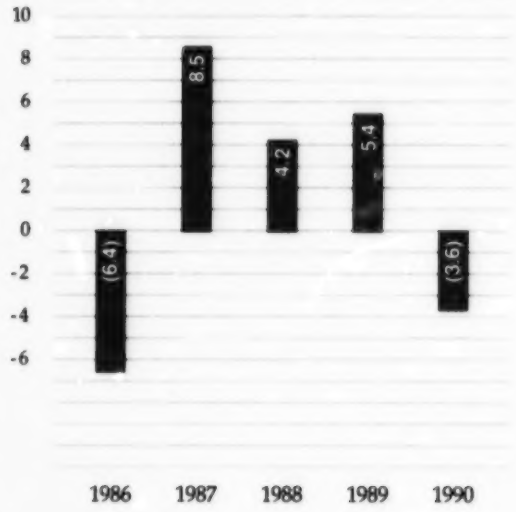
NUMBER OF CLAIMS



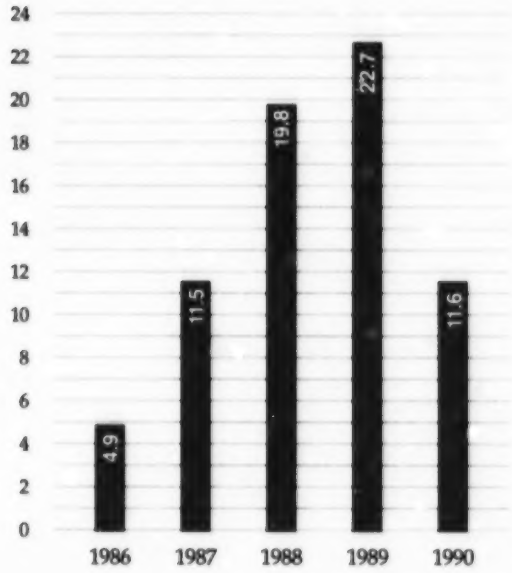
CLAIMS INCURRED
Direct Net of Ceded
(Millions of dollars)



UNDERWRITING PROFIT (LOSS)
Direct Net of Ceded
(Millions of dollars)



NET INCOME
(Millions of dollars)



In July, 1990, SGI President Alex Wilde announced the company's intent to incorporate and licence a new Saskatchewan-based general insurance company called SGI CANADA. This would be the first step in preparing the company to expand outside the province.

After a lawsuit launched by the Office and Professional Employees' Union (OPEIU), the courts decided that legislative approval was required before SGI's general business could be sold to SGI CANADA.

In December, the government announced that SGI's general business would operate in Saskatchewan as SGI CANADA effective January 1, 1991, to familiarize the public with the new name and distinguish the competitive general business from the compulsory auto insurance program administered by SGI.

While these events made headlines in 1990, the more important fact was that SGI staff concentrated on their goal of operating a successful general insurance business and providing excellent customer service, day to day. Their firm commitment to this goal made 1990 a successful and rewarding year. ♦

Her dedication to excellent customer service earned Adjuster Pat Yaehne a Claims Customer Service Award in 1990.

Our goal is service excellence

Superior service is SGI's goal. Our customers' needs come first—whether they're buying a policy, settling a claim, or just looking for some straightforward, professional advice about insurance.

SGI's customers have unique insurance needs, so our products reflect that diversity. We offer comprehensive home, tenant, auto and farm policies and other lines of personal insurance (excluding sickness and life). In fact, SGI's Home Pak III offers one of the most complete home insurance coverages on the market. We also offer commercial property, business interruption and liability insurance, as well as commercial auto coverage, and bonding.

SGI's first-class product line is backed by first-class service from our 1,300 skilled staff members in 13 towns and cities, and our agency force of 400 throughout the province. In 1990, new SGI claims centres in Kindersley and Saskatoon added to the high level of service and convenience our customers deserve. Our rural clients also receive top quality claims service at the local level from our road adjusters, who travel to many smaller communities to serve our customers there.

Service counts most when our customers have a claim, so we make quick, fair claims settlements a priority. With one phone call to the insurance agent who sold the policy, SGI adjusters move in to settle the claim as quickly as possible, in some cases making payments on the spot.

But a claim isn't over when the payment is made. Unlike many other companies, SGI follows up with our claimants to make sure they're happy with the service and settlement they received. Our customer surveys tell us what we could improve and what we're doing well, and that helps us to be more effective. In 1990, a record 88 per cent of customers we surveyed were pleased with the way their claim was handled. Those results make our job worthwhile. ♦

Part of SGI's team of Underwriting professionals: (from left) Janice Taylor, Jim Schneider and Bev Wanamaker.

♦

Our staff are professionals

SGI employees are crucial to the company's success, so their professional development is a top priority. In 1990, SGI staff participated in ongoing training programs, ranging from effective communication to computer skills to enhancing customer service. SGI also hosted the "Building Your Personal Potential" series, bringing several internationally-known speakers to SGI to share new and exciting ideas.

Many staff are members of the Insurance Institute of Canada, and in 1990, nearly 200 SGI employees successfully completed Insurance Institute of Canada, degree, Certified Management Accountant, or certificate classes.

SGI agents also represent the corporation to our customers, so their knowledge and expertise is equally important to us. In 1990, SGI staff held seminars throughout the province to inform agents about product changes and issues that affect them, such as the GST. SGI also hosted our annual Agents' Convention in March, a chance for SGI staff and agents to learn about new products and services, enhance their business skills, and build on the strong working relationships that help us all do our jobs better. ♦

Our products are innovative

Brian Forster's market research gives him insight into the needs of the Saskatchewan market and consumer, and helps put SGI at the leading edge of insurance products and services.

Insurance must meet the ever-changing needs of the customer and the marketplace. SGI's innovative approach to insurance products and services has made us a pioneer in the industry, and keeps us strong in an increasingly competitive marketplace.

Annual surveys of SGI's customers and agents tell us what products and services hit the mark and what could be improved. In addition, our Product Representatives travel the province continuously to gather agents' input. In 1990, SGI agents and staff met face to face at Agents' Action Circle and President's Round Table meetings for an exchange of information and ideas.

Responding to suggestions from our customers, agents and staff, we updated many of our products in 1990 and made them more comprehensive and competitive than ever. Our customers and agents told us that price stability is important, so in Personal Lines we kept price increases to a minimum, and introduced a five per cent discount for new claims-free Home and Tenant Pak business. We added special wordings to our Home Pak to allow coverage for homes under construction.

We also introduced mass evacuation coverage in the event of a disaster, and began insuring rental homes in Saskatchewan owned by out-of-province residents. And in 1990, we worked extensively on major enhancements to our Auto Pak, to be implemented in 1991.

In Commercial Lines, we initiated Directors' and Officers' Liability Coverage for non-profit organizations, and improved our boiler and machinery insurance with increased limits and a broader risk base. We introduced a simplified Guaranteed Replacement Cost program for smaller buildings, and streamlined our driver approval process for commercial fleet owners.

Wayne Flavel heads up Risk Management, a unique service that helps SGI customers identify safety hazards in their farm operations. Here, Wayne inspects Horizon Poultry Ltd.

Other product initiatives included coverage for service stations under our Business Owner's Value Pak, and special liability coverage for ambulance owners.

Sensitivity to the needs of our customers and agents is a vital part of SGI's success in a tough market. Our firm belief in open communication, innovation and risk-taking puts SGI at the leading edge of insurance products and services.

We manage our costs effectively

Claims costs have risen dramatically across Canada in recent years, making careful attention to cost control and risk selection more important than ever.

Careful monitoring of our operation means that we can identify problems and implement solutions. For example, after experiencing high loss ratios in our Specialty Agro policies, we created the Risk Management area in 1990 to help our customers identify potential safety hazards in their farm operations, and aid our underwriters in properly rating the risk. Also in 1990, SGI's Security and Special Investigations Unit continued their research into fraudulent claims. SGI is one of only a few insurance companies with trained investigators on staff. By tracking down claims fraud, they help keep premiums down for the rest of SGI's customers.

At SGI, we draw on the skills and experience of our staff to help manage costs without reducing the quality of coverage and service we give our customers. Our management team has extensive experience in the insurance industry. Many of our Underwriting and Claims staff have been with SGI for more than 25 years, and their thorough knowledge of the insurance business has been instrumental in SGI's success. ♦

SGI's Security and Special Investigations Unit conducts a course on jewellery losses, teaching staff like Lindsay Ford what to look for in an appraisal and how to recognize fraud.

♦

Security and peace of mind: that's what SGI gives to Saskatchewan home and business owners, like Bob Hischebett of Barker's Trophies in Regina.

♦

We're part of the community

SGI's business is insurance, but we're not just another insurance company. We're part of Saskatchewan, and we believe in contributing to the communities we work in.

SGI directly employs 1,300 people throughout the province, who are involved in their communities both personally and professionally.

Through corporate donations, SGI sponsors dozens of local organizations and events each year, such as the Saskatchewan Roughriders, Crime Stoppers, the Children's Wish Foundation, and the Organization of Saskatchewan Arts Councils, to name only a few.

But financial support is only one aspect of SGI's contribution to the province. What we want to give most to Saskatchewan people is security. We want our customers to rest easy, knowing that SGI's comprehensive coverages will protect their property and belongings in case of loss. SGI's understanding, skilled staff will take care of our customers' needs as quickly as possible, whether that means writing a cheque on the spot, finding emergency accommodation, or just offering some comfort and advice.

Excellent insurance products and top-notch service add up to peace of mind. That's the best contribution that SGI can make to Saskatchewan people. ♦

Responsibility for financial statements

The financial statements have been prepared by the management of the corporation in conformity with accounting principles generally accepted in Canada. The financial statements have been examined and approved by the Board of Directors. The independent auditors have performed an audit of the corporation which has enabled them to express their opinion on the financial statements of the corporation. This opinion is shown on page 15.

Preparation of financial information is an integral part of management's broader responsibilities for the ongoing operations of the corporation. Management maintains an extensive system of internal accounting controls to ensure that transactions are accurately recorded on a timely basis, are properly approved and result in reliable financial statements. The adequacy and operation of the control systems are monitored on an ongoing basis by an internal audit department.

An Audit Committee, composed of members of the Board of Directors of SGI, meets periodically with financial officers of the corporation and the independent auditors. These independent auditors have free access to this Committee, without management present, to discuss the results of their audit work and their opinion on the adequacy of internal financial controls and the quality of financial reporting.

Larry Fogg
Vice President
Finance and Administration

Auditor's report

January 31, 1991

To the Members of the Legislative Assembly
Province of Saskatchewan:

We have audited the statements of financial position of Saskatchewan Government Insurance as at December 31, 1990 and 1989 and the statements of operations and retained earnings and changes in financial position for the years then ended. These financial statements are the responsibility of the corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the corporation as at December 31, 1990 and 1989 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles.

Coopers & Lybrand

Chartered Accountants
Regina, Saskatchewan

Statement of financial position

December 31	1990	1989
	(Thousands of $)	
Assets		
Cash and Investments Maturing Within One Year	$ 48,642	$ 42,137
Accounts Receivable	17,291	19,581
Deferred Policy Acquisition Costs	14,487	14,060
Deferred Charges (Note 9)	548	547
Long-Term Investments (Note 3)	119,458	134,662
Net Investment in Capital Lease (Note 4)	5,047	5,120
Property and Equipment (Note 5)	15,823	22,786
	$221,296	$238,393
Liabilities		
Accounts Payable and Accrued Charges	$ 5,822	$ 5,214
Dividends Payable	2,206	—
Premium Taxes Payable	4,832	4,783
Amount Due to Reinsurers	4,064	4,068
Provision for Unpaid Claims (Note 6)	88,154	88,814
Unearned Premiums	59,218	57,940
	164,296	160,819
Capitalization		
Advances (Note 7)	57,000	57,000
Retained Earnings	—	21,074
	57,000	78,074
	$221,296	$238,893

(See accompanying notes)

Statement of operations and retained earnings

Year Ended December 31	1990	1989
	(Thousands of $)	
Premiums Written	$111,702	$112,299
Premiums Earned	**$110,423**	$114,901
Claims Incurred	68,387	62,022
Commissions	20,149	21,896
Premium Taxes	4,774	4,922
Administrative Expenses	20,678	20,711
Total Claims and Expenses	**113,988**	109,551
Underwriting Profit (Loss)	**(3,565)**	5,350
Investment Earnings (Note 10)	15,197	17,349
Net Profit for the Year	**11,632**	22,699
Retained Earnings (Deficit):		
Balance Beginning of Year	21,074	(1,625)
Dividend	(32,706)	—
Balance End of Year	**$ —**	$ 21,074

(See accompanying notes)

Statement of changes in financial position

Year Ended December 31	1990	1989
	(Thousands of $)	
Operating Activities		
Net Profit	$11,632	$22,699
Depreciation and Amortization	3,639	3,652
Realized (Gain) Loss on Disposal of Investments and Property and Equipment	306	(971)
Investment Write Down	807	—
	16,384	25,380
(Increase) Decrease in Deferred Policy Acquisition Costs	(427)	549
Decrease in Accounts Receivable	2,290	201
(Increase) Decrease in Deferred Charges	(1)	746
Decrease in Provision for Unpaid Claims	(660)	(8,649)
Increase (Decrease) in Unearned Premiums	1,278	(2,603)
Increase (Decrease) in Accounts Payable and Accrued Charges	608	(3,976)
Increase (Decrease) in Premium Taxes Payable	49	(314)
Decrease in Amounts Due to Reinsurers	(4)	(193)
Cash Provided By Operating Activities	**19,517**	11,141
Investing Activities		
Long-Term Investments		
—Purchases	(14,785)	(37,001)
—Proceeds on Sale	28,782	27,150
Capital Lease Repayment	73	67
Property and Equipment		
—Purchases	(1,382)	(2,393)
—Proceeds on Disposal	4,800	174
Cash Received From (Used For) Investing Activities	**17,488**	(12,003)
Dividends Paid	**(30,500)**	—
Increase (Decrease) in Cash and Investments Maturing Within One Year	**6,505**	(862)
Cash and Investments Maturing Within One Year:		
Balance Beginning of Year	42,137	42,999
Balance End of Year	**$48,642**	$42,137

(See accompanying notes)

Notes to the financial statements

December 31, 1990

1. Significant Accounting Policies

The corporation's accounting policies are in accordance with generally accepted accounting principles. The following are considered to be significant:

Premiums

Premiums written are taken into income over the terms of the related policies. Premiums not yet taken into income represent the portion of the policy premiums relating to the unexpired term of each policy.

Deferred Policy Acquisition Costs

Premium taxes, commissions and certain underwriting and policy issuance costs are charged to expense over the terms of the insurance policies to which such costs relate. These policy acquisition costs are deferred only to the extent that anticipated future claims and expenses net of investment earnings do not exceed unearned premiums.

Investments

Bonds, debentures and mortgages are recorded at amortized cost. Shares are recorded at cost. Investments are written down when there is a decline in value that is other than temporary.

Investment Earnings

Interest is recorded as income on the accrual basis. Dividends are recorded as income on the record date. Gains and losses realized on the disposal of investments are recognized in income on the date of sale.

Provision for Unpaid Claims

The provision for unpaid claims includes the estimated cost to the corporation of reported claims, an estimate based on the claims settlement experience of the corporation of the cost of claims incurred but not reported, and an estimate of adjustment expenses to be incurred on the settlement of these claims.

Capital Lease

Investment earnings related to the direct financing lease are recognized in a manner that produces a constant rate of return on the investment in the lease. The net investment in the lease is composed of net minimum lease payments less unearned finance income.

Property and Equipment

Fixed assets are recorded at cost less accumulated depreciation. Depreciation is recorded on a straight-line basis, commencing in the year in which the assets are placed in service, over their estimated useful lives as follows:

Building	2½%
Computer Equipment	20–50%
Office Equipment	20%

Foreign Currency Translation

Monetary items are adjusted to reflect the exchange rate in effect at the year-end. Share investments, revenues and expenses are translated at the exchange rate in effect at the transaction date. Unrealized gains and/or losses arising on translation are charged to operations in the current year.

Administrative and Claims Adjusting Expenses

The corporation as administrator of the Saskatchewan Auto Fund provides certain services to both the corporation and the Fund. The administrative and claims adjusting expenses relating to these services are charged to the corporation and the Fund on the basis of specific allocations.

Direct administrative expenses are charged directly to the corporation's operations.

2. Status of the Corporation

Saskatchewan Government Insurance was established as a branch of the Public Service by the Government of Saskatchewan Insurance Act, 1944, reorganized pursuant to the Saskatchewan Government Insurance Act, 1946, and continues under the provisions of the Saskatchewan Government Insurance Act, 1980. Saskatchewan Government Insurance is a provincial crown corporation and as a result is not subject to federal or provincial income taxes.

The corporation conducts a property/casualty insurance business under the provisions of its Act and also acts as administrator of the Saskatchewan Auto Fund under the provisions of the Automobile Accident Insurance Act (Chapter A-35, Revised Statutes of Saskatchewan, 1978).

The accounts of Saskatchewan Government Insurance are consolidated in the annual financial statements of the Crown Investments Corporation of Saskatchewan, the financial holding company of the Province of Saskatchewan.

3. Long-Term Investments

The components of the corporation's long-term investments are as follows:

	(Thousands of $)			
	1990		1989	
	Book Value	Market Value	Book Value	Market Value
Bonds and Debentures	$ 83,015	$ 80,761	$ 91,830	$ 92,542
Shares and Convertible Bonds	36,443	35,947	37,686	42,343
Mortgages	—	—	5,146	5,088
Total Long-Term Investments	$119,458	$116,708	$134,662	$139,973

On December 31, 1990, the corporation sold its mortgage investments to the Saskatchewan Auto Fund, a related party, at the market value of $5,035,000, $45,000 less than book value.

4. Net Investment in Capital Lease

The corporation, as lessor, has a 37 per cent interest in a lease agreement with a Saskatchewan Crown Corporation for a term of thirty years (twenty years remaining) on property in Prince Albert, Saskatchewan. The lease transferred substantially all of the benefits and risks incident with the ownership of the property to the lessee.

The corporation's net investment in capital lease includes the following:

	(Thousands of $)	
	1990	1989
Total Minimum Lease Payments Receivable ($583,000 per year)	$11,810	$12,393
Unearned Income	(6,763)	(7,273)
Net Investment in Capital Lease	$ 5,047	$ 5,120

5. Property and Equipment

The components of the corporation's investment in property and equipment, as well as the related accumulated depreciation, are as follows:

	(Thousands of $)			
	1990			1989
	Cost	Accum. Depr.	Net Book Value	Net Book Value
Land and Improvements	$ 912	$ —	$ 912	$ 912
Building	18,887	5,375	13,512	13,985
Computer and Office Equipment	4,377	2,978	1,399	7,889
Total	$24,176	$ 8,353	$15,823	$22,786

On December 31, 1990, the corporation sold its core computing equipment to the Saskatchewan Auto Fund, a related party, at the net book value of $4,655,000. The original cost and accumulated depreciation of the equipment were $10,475,000 and $5,820,000, respectively.

6. Provision for Unpaid Claims

The provision for unpaid claims includes reserves for direct, ceded and assumed business. Although the corporation discontinued its practice of underwriting assumed reinsurance business in 1985, it remains financially responsible for claims run-off on assumed contracts.

An independent actuarial valuation of the corporation's December 31, 1990 unpaid claims reserve has been completed. The reserve, while believed to be adequate, is necessarily based on estimates and includes the following:

	(Thousands of $)	
	1990	1989
Direct	$69,453	$67,521
Ceded	(5,471)	(4,578)
Direct Net of Ceded	63,982	62,943
Assumed	24,172	25,871
Total Provision for Unpaid Claims	$88,154	$88,814

7. Advances

Advances from the Crown Investments Corporation of Saskatchewan (CIC) are non-interest bearing and repayment is at the discretion of CIC.

8. Ceded Reinsurance

The corporation underwrites and reinsures contracts of insurance which, in the main, limit the liability of the corporation to a maximum amount on any one loss of $250,000 (1989 – $250,000) for dwelling and farm property, $1,000,000 (1989 – $1,000,000) for commercial property and $750,000 (1989 – $750,000) for liability, including automobile, general liability and boiler and machinery. This reinsurance does not, however, relieve the corporation of its primary obligation to its policyholders.

In 1990, ceded reinsurance premiums earned were $11,831,000 (1989 – $11,863,000); commission recoveries were $2,990,000 (1989 – $2,801,000); and claims incurred were $3,060,000 (1989 – $1,506,000).

At year end, the corporation held letters of credit outstanding of $964,000 (1989 – $682,000) and deposits of $216,000 (1989 – $192,000) relating to reinsurance arrangements with unlicensed reinsurers.

9. Superannuation Plans

The corporation has a defined benefit pension plan for certain of its employees which has been closed to new membership since 1980. Current service costs of this plan are charged to earnings on the basis of actuarial valuations, the most recent valuation being as of December 31, 1987.

Based on the December 31, 1987 actuarial valuation and a projection to December 31, 1990, the present value of accrued pension benefits attributed to services rendered and the value of pension fund assets is $26,044,000 (1989 – $25,349,000) and $29,192,000 (1989 – $28,630,000) respectively. The deferred charge for pension costs at year-end is $548,000 (1989 – $547,000).

The corporation also has employees who are members of the Crown Investments Corporation of Saskatchewan (CIC) Pension Plan. The corporation matches employee contributions to this defined contribution pension plan.

The 1990 pension expense for the two pension plans is $1,974,000 (1989 – $2,566,000), including the amortization of the defined benefit plan past service surplus and plan amendments.

10. Investment Earnings

The components of investment earnings are as follows:

	(Thousands of $)	
	1990	1989
Interest and Dividends	$15,753	$15,854
Realized Gain (Loss) on Sale of Investments	(259)	978
Investment Write Down	(807)	—
Income from Capital Lease	510	517
Total Investment Earnings	$15,197	$17,349

Share investments which have incurred a decline in market value for a period of more than three years were written down in 1990 by $807,000 to their December 31, 1990 market values.

11. Related Party Transactions

Included in these financial statements are income and expense amounts resulting from routine operating transactions conducted at prevailing market prices with various Saskatchewan Crown-controlled departments, agencies and corporations with which the corporation is related.

Account balances resulting from these transactions are included in the Statement of Financial Position and are settled on normal trade terms. Other amounts due to (from) related parties and the terms of settlement are described separately in the financial statements and the notes thereto.

12. Proposed Reorganization

In December, 1990, The Minister in Charge of the corporation stated the Government's intention to introduce an amendment to the Saskatchewan Government Insurance Act specifically authorizing the corporation to dispose of its general insurance business operations. Should this proposed legislation be passed, the Government of Saskatchewan may implement a reorganization with retroactive effect to January 1, 1991. Pursuant to this proposed legislation and a proposed purchase agreement, most of the assets and liabilities of the corporation's general insurance operations will be transferred to SGI CANADA Insurance Services Ltd.

Completion of the transactions contemplated by the proposed purchase agreement is subject to conclusion of definitive agreements and enabling legislation from the Saskatchewan Legislature. This transaction which would be between companies under common control will be accounted for in the period enabling legislation is passed and definitive agreements have been executed. The difference, if any, of the carrying amounts of the assets transferred compared to the liabilities transferred will be recorded as a capital transaction.